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Viewing cable 10JERUSALEM276, DOES HAMAS HAVE A CASH FLOW PROBLEM IN GAZA?

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#10JERUSALEM276**.

Reference ID	Created	Released	Classification	Origin
10JERUSALEM276	2010-02-12 15:49	2011-08-30 01:44	SECRET	Consulate Jerusalem

Appears in these articles:

<http://www.aftenposten.no/spesial/wikileaksdokumenter/article4004534.ece>

VZCZCXYZ0000
PP RUEHWEB

DE RUEHJM #0276/01 0431549
ZNY SSSSS ZZH
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FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC PRIORITY 7578
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S E C R E T JERUSALEM 000276

SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA; NSC FOR KUMAR; TREASURY
FOR MOGER/KNOWLES; PLEASE PASS TO USAID FOR ANE/MEA: BORODIN

E.O. 12958: DECL: 02/11/2020
TAG ECON, KPAL, KTFN, PGOV, EFIN, PTER, GZ, EG, QA
SUBJECT: DOES HAMAS HAVE A CASH FLOW PROBLEM IN GAZA?

REF: A. CAIRO 177
[1](#)B. 08 JERUSALEM 1682

Classified By: Consul General Daniel Rubinstein for reasons 1.4 b, d

[1](#)1. (C) Summary. Hamas was more than a week late in paying January salaries and, according to Post's Gaza contacts, has not yet paid those salaries in full. While most contacts report that Hamas faces a liquidity crisis, they disagree on the cause. Hamas reportedly relies heavily on foreign assistance to support its budget, and the current cash flow problem is most likely a result of Egyptian anti-smuggling efforts. Gaza-based contacts report that Hamas is cutting costs and increasing its internal revenue collection, through taxes and fees. The amount of extra revenue that these efforts can generate is limited, however. Gazans speculate that recent real estate investments may also have tied up some of Hamas's available cash. End summary.

Making Payroll?

[1](#)2. (S) According to Post contacts in Gaza, Hamas was late in paying January salaries to civil servants on its payroll, and has not yet paid those salaries in full. While Hamas salary payments are typically available on the first day of every month, employees of the de facto Hamas government did not line up at post offices or the Islamic National Bank (the two institutions that Hamas uses to disburse salaries) until February 8 when, according to contacts, Hamas paid low-level employees with salaries up to NIS 1,500 (USD 400) per month. On February 11, Hamas began paying half-salaries for mid-level employees. XXXXXXXXXXXX (a Gaza-based manager at the Palestinian Agricultural Relief Committee) told Econoff that while he was picking up his exit permit at the Hamas-run "Ministry of Interior," he overheard an employee complain on the phone that his salary was late and he would only receive a portion of it. The employee further complained that this was at least the third month he had received only a "portion."

[1](#)3. (SBU) According to press reports, Hamas has more than 34,000 employees on its payroll who receive USD 16 million in

monthly salaries. Comment: While we understand these figures to include security forces, our contacts claim no insight into Hamas military structures and cannot confirm the status of salary payments to security personnel. Reports of Hamas's total wage bill vary widely. End Comment.

Hamas's Cash Flow Problem

14. (S) Post contacts uniformly commented on Hamas's lack of liquidity, but interpret the nature and depth of the problem differently. All agree that Hamas relies heavily on external funding to cover its expenditures, particularly salaries. Gazan businessman XXXXXXXXXXXX said that he met with the Hamas "Minister of National Economy," XXXXXXXXXXXX, who claimed that Hamas collects USD 3.5 to 4 million every month through fees and taxes within Gaza, though its monthly expenditures are USD 25 million. The shortfall is met by funding from outside Gaza, XXXXXXXXXXXX reportedly said. For instance, according to XXXXXXXXXXXX, employee salaries at Hamas's "Ministry of Education" -- except those receiving salaries from the Palestinian Authority (PA) in Ramallah -- are covered by Qatari donations.

15. (C) In addition to continued Israeli restrictions, contacts attribute the liquidity problem to tighter Egyptian security measures on its border with Gaza, including increased interference with smuggling operations. Gaza contacts note that Egypt has also cracked down on the travel of Hamas officials outside Gaza by restricting their access through the Rafah crossing. In particular, Egypt reportedly no longer tolerates "Hamas VIP bags," a reference to suitcases of cash transported across the Rafah border into Gaza. Our contacts believe current inflows of cash are generally restricted to the tunnels.

16. (S) XXXXXXXXXXXX, a Gaza-based NGO employee, told Econoff that he believes money can easily pass through the tunnels, but the cash flow has been disrupted elsewhere. Other contacts also report that trade flows through the tunnels remain robust. XXXXXXXXXXXX speculated that Egypt has been effective in countering bulk cash smuggling within its own borders, thus making it unavailable to smuggle through the tunnels into Gaza.

17. (C) Another Gaza contact reported rumors that Hamas has sufficient funds to pay full salaries for six months, but that it is protecting its fiscal position by holding back on payments. By cutting some salaries, Hamas may be able to stretch the payments out over the full year without external funding.

18. (C) According to a local contact, Fatah Central Council member Nabil Shaath and Hamas authorities agreed last week to allow some PA-salaried employees, who had stopped reporting to work, to return to their civil service jobs in Gaza. Hamas will apparently then terminate the contracts of those who had been hired to replace the absent PA employees.

19. (S) XXXXXXXXXXXX, a Gaza-based board member of the Palestinian IT Association, believes that money continues to flow into Gaza and that Hamas is more stable financially than it appears. He reports that Hamas has increased its real estate investments inside Gaza, partly explaining its shortage of cash, and described recent bids on properties by Hamas brokers at well above market prices. XXXXXXXXXXXX speculated that purchasing real estate is a sustainable investment for Hamas, a money laundering scheme, and/or part of strategy to strengthen its financial position (or physical presence) in Gaza as a bulwark against future events.

110. (C) Palestinian bankers claim the delay in salary payments is proof that Hamas cannot borrow from the formal financial sector in Gaza.

Internal Revenue

111. (C) Several contacts report that Hamas is both cutting costs and increasing collection of revenue from inside Gaza. They noted that the potential benefit to Hamas is limited due to the current economic situation.

112. (C) According to multiple contacts, municipalities in Gaza are stepping up the collection of electricity and water bills. Hamas-run ministries also charge fees for various services, like the issuance of official documents. The first-time "registration" fee for a car is USD 12,000, and one contact reported that 40 new cars were recently imported from Egypt. Gazans must also pay an annual fee to renew their car or motorcycle registration. New traffic signs are being installed, and traffic laws are being aggressively enforced by the police. For an infraction, according to a Gazan contact, police typically confiscate a driver's license or car documents and require the driver to retrieve his documents at a police station, where he will likely pay a penalty fee. In one anecdotal account of more rigorous traffic controls, a man who used his van to transport children to school was confronted by Hamas authorities and instructed to register his van as a school bus, and then pay the requisite taxes.

113. (C) Local NGOs report that Hamas is demanding income tax, with payments in cash in order to bypass the official banking sector. A Gaza contact reported that one NGO deposited a tax payment for Hamas on February 10 at the post office, deducted from staff salaries. Another contact said that Hamas now demands private schools to pay taxes based on tuition fees, and threatens to shut down schools for non-compliance. Other contacts have commented on increased taxes and fees on Gazan businesses.